



February 22, 2011

**Via E-mail**

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
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Docket No. R-1404  
RIN No. 7100 AD63

To the Board of Governors of the Federal Reserve System:

Below, please find comments of DIRECTV, the second largest provider of multichannel video programming distribution in the United States, and largest provider of satellite based television service. We have more than 19 million customers in the United States, and provide a superior alternative to cable services, in addition to bringing programming to parts of the country where cable is not available.

DIRECTV is commenting on the proposed rule on debit interchange (which implements new Section 920 of the Electronic Fund Transfer Act ("EFTA")) because many of our customers pay for DIRECTV products and services with a debit card. When a customer pays with a debit card, the payment is typically processed over the internet or telephone rather than at a terminal where a PIN may be entered. In other words, the customer typically uses signature debit (as opposed to PIN debit).

DIRECTV supports the Federal Reserve Board's (the "Board's") efforts to prevent dominant networks and large issuers from using their market power to make it more expensive or burdensome for DIRECTV and other merchants to accept debit cards for payment. If the anticompetitive behavior of the dominant networks and large issuers can be minimized, the need for DIRECTV and other merchants to raise consumer prices tied to these behaviors will likewise be reduced. Therefore, we urge the Board to:

(I) adopt the proposed provisions that establish a reasonable and proportional interchange transaction fee under subsection (a),

(II) require issuers to offer at least two unaffiliated PIN debit networks and at least two unaffiliated signature debit networks under subsection 920(b)(1)(a) (which prohibits network exclusivity), and

(III) implement both subsection (a) and (b) of Section 920 in 2011.

**I. The Federal Reserve Should Adopt Its Proposal Providing for a Reasonable and Proportional Interchange Transaction Fee.**

We urge the Board to adopt the provisions in the Board's proposed rule that provide for a reasonable and proportional transaction fee, because those provisions are required by statute and will reduce the need to increase consumer prices in response to interchange increases.

Section 920(a) of the EFTA mandates that the Board implement regulations that ensure that the interchange transaction fee is reasonable and proportional to the issuers' costs when a customer pays with a debit card, subject to the small bank exception. The statutory language clearly specifies which costs the Board may and may not consider when developing the regulations. We believe that the Board adequately researched allowable costs when the Board surveyed the covered banks. And, we believe that the proposal the Board developed is adequately supported by that research.

Moreover, we believe that the Board's proposal -- which limits the interchange transaction fee to 7 to 12 cents -- is consistent with Congressional intent. Congress wanted to prevent the dominant networks and large issuers from continuing to use their market power to force merchants to pay unreasonably high interchange transaction fees. Congress was especially concerned that the unreasonably high debit transaction costs were being passed down to consumers in the form of higher prices. The negative impact of high interchange transaction fees on merchants and consumers is multiplied when there is more than one debit transaction (and, therefore, more than one interchange transaction fee charged). In the case of DIRECTV -- and other services provided on a monthly basis -- consumers pay 12 times a year with potentially 12 separate debit interchange transaction fees.

DIRECTV believes that the Board's proposal for implementing subsection (a) will significantly reduce our debit transaction costs and therefore will significantly reduce the need to increase consumer prices in response to higher interchange fees. We urge the Board to implement it as proposed.

**II. Issuers Should Offer More Than One Unaffiliated Network for Each Type of Debit Transaction.**

Subsection (b)(1) further addresses the anticompetitive behavior of the dominant networks by preventing exclusivity agreements and limiting network routing restrictions. These provisions apply to debit cards issued by both large and small banks. They are intended to reduce the merchants' debit transaction costs by allowing merchants to route debit transactions over the lowest-cost network. Again, the hope was that this would lead to lower prices for consumers.

The Board has asked for comments on whether the exclusivity prohibition should require issuers to offer two unaffiliated networks for each type of debit transaction (at least two

unaffiliated PIN networks and two unaffiliated signature networks) or whether the Board should simply require issuers to offer one PIN network and another unaffiliated signature network. DIRECTV urges the Board to require issuers to offer at least two unaffiliated networks for each form of debit transaction.

Our debit customers do not typically pay for DIRECTV services in a brick-and-mortar store with PIN debit functionality. Instead, our debit customers pay their monthly bills with signature debit on the web or over the phone. DIRECTV and our customers would be unable to financially benefit from the exclusivity and routing provisions in subsection 920(b)(1) unless issuers offer at least two unaffiliated signature debit networks.

Requiring issuers to offer at least two unaffiliated networks for each form of payment should not be burdensome on issuers. In virtually all cases, the same networks that offer PIN debit functionality also offer signature debit functionality. The statute already requires issuers to contract with more than one of these networks. The cost of adding another type of debit functionality under that contract should not be significant.

### **III. Section 920 Should Take Effect in 2011.**

The Board suggests implementing certain provisions, such as subsection (b), in 2013. We see no reason to delay implementation of any part of Section 920 beyond 2011. Our customers should enjoy the benefits of this rule as soon as practicable. There is no reason to let the dominant network's anticompetitive behavior continue unfettered for the next two years.

Thank you for considering our comments on this important rule.

Sincerely,

DIRECTV